Roadmap for Implementing
Michigan's New Energy Policy

Stakeholder Group Meeting Summary

Monday, August 3, 2015
8:30 AM–12:00 PM

Michigan Public Service Commission
Lansing Conference Room, Second Floor
7019 West Saginaw, Lansing

Stakeholder Group Members Present

Lauren Donofrio (co-chair and nonvoting ex officio), Michigan Department of the Attorney General (AG); Michael Moody (co-chair and nonvoting ex officio, AG; Brandon Hofmeister, Consumers Energy; Chrissy Beckwith, SEMCO Energy; Dan Scripps, Michigan Energy Innovation Business Council; Greg Clark, Indiana Michigan Power; Sarah Mullkoff (alternate for James Clift), Michigan Environmental Council; Anand Gangadharan, NOVI Energy; Matt O'Keefe (alternate for Alex Laskey), Opower; Dan Dundas, Senate Majority Policy Office; Jeff Wiggins, House Republican Policy Office; Kwafo Adarkwa, ITC Holdings Corp; Laura Chappelle, Energy Michigan; George Andraos, Ford Motor Company; Don Stanczak, DTE Energy; Jason Geer, Michigan Chamber of Commerce; Jill Steiner, The Cadmus Group; John LaMacchia, Michigan Municipal League; Andrew Vermeesch, Michigan Farm Bureau; Jean Redfield, NextEnergy

Steering Committee Members Present

Valerie Brader, Michigan Agency for Energy (MAE); Robert Jackson, MAE

External Support Staff Present

Julie Metty Bennett, Public Sector Consultants (PSC); Eric Pardini, PSC; Terri Novak, MAE

Presenters

Mike Byrne, MAE; John Shenot, The Regulatory Assistance Project

Other

Lauren Hall, U.S. Department of Energy

Informal Meet and Greet

Prior to the start of the stakeholder meeting, participants were given the opportunity to speak with their fellow stakeholders during an informal meet and greet.

Welcoming Address and Charge to the Group

Valerie Brader—the executive director of the Michigan Agency for Energy—kicked off the first stakeholder group meeting by welcoming attendees and thanking them for their willingness to participate in the Roadmap for Implementing Michigan's Next Energy Policy process. Ms. Brader went on to describe the importance of the Roadmap process, given the energy policy proposals currently being discussed in the state legislature. Any of these proposals would alter the role of the Michigan Public Service Commission, and Ms. Brader stressed how important it is for the stakeholder group to provide assistance that will support practical implementation of Michigan's Next Energy Policy. She concluded her remarks by again thanking participants for lending their expertise to the Roadmap process, and stated her belief that the process would be an important part of Michigan's future success.

Welcome from the Chairs, Introductions, and Role of Public Sector Consultants

Next, Robert Jackson—chairman of the project's steering committee—welcomed participants and asked that they introduce themselves to the group. Following introductions, Mr. Jackson thanked attendees for their interest in participating in the stakeholder group noting that the final list of members was selected from a pool of 50 applicants. Selected participants represent diverse and important viewpoints from across the energy sector which will be important to the success of the process. Mr. Jackson informed stakeholders that there will be an opportunity for applicants not selected to the final list of participants to contribute later during one or two open meetings.

Mr. Jackson went on to describe the role of Public Sector Consultants (PSC) as the project managers for the Roadmap process. Julie Metty Bennett and Eric Pardini are responsible for preparing meeting materials, facilitating stakeholders meetings, conducting research; they will serve as the primary contact for stakeholders on this project.

Mr. Jackson then introduced the stakeholder group co-chairs, Lauren Donofrio and Michael Moody from the Office of the Attorney General. Ms. Donofrio and Mr. Moody thanked Mr. Jackson for the introductions and provided a brief overview of their background, expectations for the group, and their role as co-chairs.

Project Overview, Stakeholder Group Responsibilities and Procedures, Results of Stakeholder Group Survey on Key Regulatory Issues, Risks, and Solutions

Ms. Bennett oriented stakeholders to the following meeting materials, which were provided to each attendee in hard copy and posted in advance to the project's online file sharing service:

❖ August 3 Meeting Agenda
❖ Project Overview
❖ Stakeholder Group Procedures and Responsibilities
❖ Baseline Research Report
❖ Stakeholder Group Survey Results
❖ Presentation—Energy Policy and Current Regulatory Framework Presentation
❖ Presentation—Electric Utility Business Models and Pressures on the Electric Utility Sector

Ms. Bennett then reviewed in detail the Project Overview, Stakeholder Group Procedures and Responsibilities, and Stakeholder Group Survey Results.

A couple of questions arose during her presentation:

Q. What will the steering committee do with the group's recommendations?

A. The outcome of this process will likely be recommendations directed at the MPSC, but there may be recommendations to the legislature, as well.

Q. Are any other states participating in a similar process to Michigan's?

A. There are several other states undergoing a process similar to Michigan's, including South Carolina, Minnesota, Illinois and Idaho.

Michigan's Current Energy Policy Landscape and Regulatory Framework

Next, Ms. Bennett introduced Mike Byrne. Mr. Byrne delivered his presentation titled "Michigan's Energy Policy Landscape and Regulatory Framework." There was only one question for Mr. Byrne following his presentation. A member asked what the purpose of leaving recovery of costs from renewable energy technologies and environmental compliance out of the Michigan's Certificate of Need (CON) law. Mr. Byrne responded that there are other regulatory procedures for recovering such costs, and they didn't need to be covered by the CON.

Electric Utility Business Model and Pressures on the Electric Utility Sector

The second presentation for the stakeholder group meeting was prepared by John Shenot of the Regulatory Assistance Project. Mr. Shenot introduced himself and described his background for the group. His presentation titled "Electric Utility Business Models" covered the traditional model for utilities and regulation, changing trends that affect the industry, and projections for the future. The goal of this presentation was to set up the topic for the next stakeholder meeting which would focus on alternatives paths to the future. Stakeholders had the following questions for Mr. Shenot after his presentation.

Q. Explain the assumptions on slide 11.

A. The exhibit is based on typical residential sales and rates.

Q. How can rate design address business risk?

A. Typically, newer forms of alternative regulation attempt to minimize some of the risks in rate design by reducing the utilities' dependence of volume of sales.

Q. Have utilities historically been able to accurately predict sales when determining rates?

A. While the accuracy of utility predictions can vary, historically utilities have under-collected their authorized rate of return. This is due, largely, to an unexpected decline in sales.

Q. Is another drawback of traditional regulation that it does not differentiate between customers, and instead relied on to broad of customer classes?

A. This is a fair point, but it would be impossible to administer individual rates or too many different rates. Perhaps more customer classes would lead to fairer rates, but it could potentially lead to higher associated with managing these added classes.

Q. In constructing the Levelized Cost of Energy (LCOE) shown on slide 16, did RAP take the intermittent nature of resources into consideration?

A. RAP tried to account for differences depending on the maturity of the market for generation sources, technology, and the variability of available generation.

Q. What was meant by "Reference" in the chart on slide 19?

A. The Energy Information Administration' (EIA) "Reference" case represents the most likely scenario in their projections.

Q. Explain the chart on slide 37 describing solar price parity.

A. This chart was prepared by a solar industry advocacy group, and may not be the most impartial source. The projections are trying to show when—for various regions around the country—distributed solar generation would be the same cost as buying electricity from a retail supplier.

Q. Explain what all this means for the utility industry, and where we should go from here.

A. This question will be the focus at the next meeting, where stakeholders will have the chance to learn about and discuss alternatives.

Q. Could any of these factors or subsequent approaches lead to lower prices for consumers?

A. Any statement about this would be speculative and very contentious.

Q. Isn't integrating different generation—such as solar, which only produces power from 10 AM to 3 PM— more of an engineering problem than a regulatory one?

A. The regulatory system and rate design are incredibly important.

Q. How do utilities and regulators manage risk in rate design and situation modeling?

A. Utilities use resource planning processes to account for a variety of different factors and scenarios. Rate making would not be the right forum to address risk in because, at that point, assets have already been purchased.

Q. When we are looking to alter the regulatory model, isn't it important that the positives of the current system are kept intact?

A. The role of the regulators is economic regulation in the public interest and it will constantly need to balance these priorities.

There were no other questions for Mr. Shenot.

Wrap-up and Next Steps

Mr. Jackson noted that the presenters had done an excellent job framing the discussion for the next stakeholder group meeting, and participants seemed eager to discuss what the next steps are going to be. Ms. Bennett thanked everyone for their attendance and alerted them to expect meeting materials for the August 24 meeting to be distributed shortly. Ms. Donofrio gave the stakeholders one final direction as the meeting wrapped up. She instructed everyone to come prepared to share their opinion on what the next steps for the group should be.